



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-2

Donna Knight, Treasurer  
Missouri Democratic State Committee  
419 East High  
P.O. Box 719  
Jefferson City, MO 65102

NOV 10 1998

Identification Number: C00135558

Reference: July Quarterly Report (4/1/98-6/30/98)

Dear Ms. Knight:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-The total listed on Line 11(c), Column B of the Detailed Summary Page appears to be incorrect. Please be advised that you should add the "Calendar Year-to-Date" total from your previous report to the current "Total This Period" figure from Column A to derive the correct Column B total. Please amend your report and any subsequent reports that may be affected by this correction.

-Your report discloses in-kind contributions ("donations") from corporations on Schedule H4, supporting Line 21(a) of the Detailed Summary Page (pertinent portions attached). Pursuant to Advisory Opinion 1992-33, the Commission concluded that a "national party committee may accept corporate in-kind donations in connection with fundraising activities" as long as "the federal share of goods or services is paid or transferred to the non-federal account in advance" of the acceptance of the corporate in-kind donations by the federal account.

Advisory Opinion 1992-33 also discloses a detailed method for reporting the receipt and use of in-kind contributions as follows:

MISSOURI DEMOCRATIC STATE COMMITTEE

PAGE 2

1. The transfer of the in-kind corporate contribution from the non-federal account to the federal account should be disclosed on Schedule H3. The itemization on Schedule H3 should include the date the Committee received the in-kind contribution, the amount of the contribution and the fundraising event involved.
2. The use or expenditure of in-kind corporate contributions should be disclosed on Schedule H4 as non-federal share disbursements. The itemization should provide the same donor identification information required on a Schedule A for in-kind contributions for Federal elections.
3. A second entry on Schedule H4 should then disclose the advance or contemporaneous payment of the federal account's share of the in-kind corporate contribution to the non-federal account.

Please amend your report to properly disclose the in-kind corporate contributions received by your committee (example enclosed).

-Schedule A of your report (pertinent portion(s) attached) discloses a receipt(s) of \$621.30 from the MO Democratic State Committee. Please clarify whether this transfer(s) is from an account maintained by your committee for non-federal activity. If so, be advised that such a transfer is prohibited by 11 CFR §102.5(a)(1)(i) and the full amount of the transfer(s) should be returned to the non-federal account. Please inform the Commission of your corrective action immediately in writing and provide a photocopy of your check for the transfer-out. In addition, the transfer-out should be disclosed on Schedule B supporting Line 22 of your next report.

If this transaction represents an "internal transfer" of funds from one federal account to another, and the source(s) of such funds has been identified in previous reports of receipts and disbursements, please note that such transfers should not be itemized as doing so inflates total receipts and cash on hand. If this is the case, please amend your report accordingly.

Although the Commission may take further legal action regarding the acceptance of funds from a non-federal account, your prompt transfer-out of the impermissible funds or clarification of the transaction, will be taken into consideration.

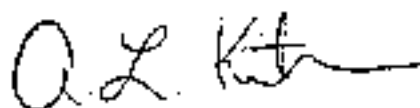
MISSOURI DEMOCRATIC STATE COMMITTEE

PAGE 3

-Schedule A supporting Line 12 of your report discloses an aggregate year-to-date total for a transfer in from the Missouri Democratic State Committee (State account) which appears to be incorrect. Please amend your report to provide the correct aggregate year-to-date total.

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 694-1130.

Sincerely,



Antoinette L. Kitchen  
Reports Analyst  
Reports Analysis Division

## DISBURSEMENT SCHEDULE H4

JOINT FEDERAL/NON-FEDERAL  
ACTIVITY SCHEDULE

PAGE 5	OF 49
FOR LINE 21e	

NAME OF COMMITTEE (in Full)

Missouri Democratic State Committee

C00135558

Full Name, Mailing Address and Zip Code	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL SHARE
Purchase Power P. O. Box 85042 Louisville, KY 40285	Admin/postage	04/02/1998	500.00	145.00	355.00
CATEGORY: <input checked="" type="checkbox"/> ADMINISTRATIVE/VOTER DRIVE <input type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXEMPT EVENT YEAR-TO-DATE: \$ 173,413.03 <input type="checkbox"/> DIRECT CANDIDATE SUPPORT					
Federal Express P. O. Box 1140 Memphis, TN 38101	Admin/shipping	04/02/1998	245.44	71.18	174.26
CATEGORY: <input checked="" type="checkbox"/> ADMINISTRATIVE/VOTER DRIVE <input type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXEMPT EVENT YEAR-TO-DATE: \$ 173,658.53 <input type="checkbox"/> DIRECT CANDIDATE SUPPORT					
U P S P. O. Box 505820 The Lakes, NV 88905	Admin/shipping	04/02/1998	102.50	29.73	72.77
CATEGORY: <input checked="" type="checkbox"/> ADMINISTRATIVE/VOTER DRIVE <input type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXEMPT EVENT YEAR-TO-DATE: \$ 173,761.03 <input type="checkbox"/> DIRECT CANDIDATE SUPPORT					
Michelle Marshall 315 Santa Anita Ct. Lexington, KY 40516	Admin/web Upda te	04/02/1998	520.00	150.80	369.20
CATEGORY: <input checked="" type="checkbox"/> ADMINISTRATIVE/VOTER DRIVE <input type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXEMPT EVENT YEAR-TO-DATE: \$ 174,281.03 <input type="checkbox"/> DIRECT CANDIDATE SUPPORT					
Wilhoit Properties Inc. P O Box 3737 Gs Springfield, MO 65808	SPR I Fund/meals	04/02/1998	In Kind		
CATEGORY: <input type="checkbox"/> ADMINISTRATIVE/VOTER DRIVE <input checked="" type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXEMPT EVENT YEAR-TO-DATE: \$ 1,857.75 <input type="checkbox"/> DIRECT CANDIDATE SUPPORT			1,717.32	0.00	1,717.32
E F T S Chicago, IL	Admin/taxes	04/02/1998	3,596.22	1,042.90	2,553.32
CATEGORY: <input checked="" type="checkbox"/> ADMINISTRATIVE/VOTER DRIVE <input type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXEMPT EVENT YEAR-TO-DATE: \$ 177,877.25 <input type="checkbox"/> DIRECT CANDIDATE SUPPORT					

SUBTOTAL OF JOINT FEDERAL AND NON-FEDERAL ACTIVITY THIS PAGE 8 6,691.48 1,439.61 5,241.87

TOTAL THIS PERIOD (last page for each line only) (Fed. share to 21 a 1 and non-Fed. share to 21 a 2)

TOTAL THIS PERIOD FOR THE NON-FEDERAL SHARE (used for line 31 of the detailed summary page)

SCHEDULE A

ITEMIZED RECEIPTS

Any information copied from such Reports and Statements may not be sold or used by any persons for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contribution

NAME OF COMMITTEE (in Full)  
Missouri Democratic State Committee

Full Name, Mailing Address and Zip Code Democratic Party Victory Fund 430 S. Capital St. S.e. Washington, DC 20003-	Name of Employer Transfer	Date (month, day, year) 04/13/1998	Amount of Each Receipt this period
Receipt For: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation	Aggregate Year-to-Date: \$ 1,228.18	\$ 1,228.18
Full Name, Mailing Address and Zip Code Mo Democratic State Committee (state Account) Po Box 719 Jefferson City,, MO 65102-	Name of Employer transfer for disbursement error made on 6/15/98	Date (month, day, year) 06/17/1998	Amount of Each Receipt this period
Receipt For: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation	Aggregate Year-to-Date: \$ 6,621.30	\$ 621.30
Full Name, Mailing Address and Zip Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this period
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation	Aggregate Year-to-Date: \$	
Full Name, Mailing Address and Zip Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this period
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation	Aggregate Year-to-Date: \$	
Full Name, Mailing Address and Zip Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this period
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation	Aggregate Year-to-Date: \$	
Full Name, Mailing Address and Zip Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this period
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation	Aggregate Year-to-Date: \$	
Full Name, Mailing Address and Zip Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this period
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation	Aggregate Year-to-Date: \$	

SUBTOTAL of Receipts This Page (optional)	\$ 1,849.48
TOTAL This Period (last page this line number only)	\$ 1,849.48

## 11. Prohibited In-Kind Donations for Allocable Activities

While contributions from corporations, labor organizations and federal government contractors are prohibited under federal law, they are permissible under some state laws. If that is the case, such donations may be accepted by a nonfederal account for strictly nonfederal activity. However, the situation is more complicated when donations of goods or services from such sources are made in connection with allocable activity, such as a fundraiser at which both federal and nonfederal funds are collected.

In AO 1992-33, the Commission explained how a committee can legally accept an in-kind donation from a prohibited source in connection with an allocable administrative or fundraising activity. Note that the Commission has not addressed the receipt of in-kind donations from prohibited sources for the other types of allocable expenses (i.e., generic voter drives and candidate support activity).

### Basic Reporting of In-Kind Donations: Example

On October 1, a state party committee receives a \$5,000 in-kind donation of flowers from a corporation for a federal/nonfederal fundraiser ("Chairman's Gala"). The estimated allocation ratio for the fundraiser is 50 percent federal and 50 percent nonfederal. That same day, the federal account transfers its share of the in-kind donation (\$2,500) to the nonfederal account.

#### Required Forms

- Schedule H3—Transfers from Nonfederal Account
- Schedule H4—Payments for Allocable Expenses

#### Schedule H3—Receipt of In-Kind Donation

The committee reports the receipt of the in-kind donation as a transfer from the nonfederal account for the "Chairman's Gala" fundraiser. The date used here is the date the committee received the flowers.

### RECEIPT OF IN-KIND DONATION (H3)

NAME OF ACCOUNT Nonfederal Account		DATE OF RECEIPT 10/1/96		\$5,000.00
		BREAKDOWN OF TRANSFER RECEIVED		
		ADMINISTRATIVE/GENERAL	DIRECT FUNDRAISING	RECEIPT ACTIVITY/DIRECT CANDIDATE SUPPORT
a. Total Administrative/General				
b. Total Fundraising				
c. Chairman's Gala			\$5,000.00	
d.				
e.				

The Schedule H3 shows the nonfederal account's receipt of the \$5,000 in-kind donation of flowers on October 1.

### Advance Payment of Federal Share

To avoid the receipt of a prohibited contribution by the federal account, that account must pay the nonfederal account for the federal share of the in-kind donation. This payment—a transfer to the nonfederal account—must be made in advance or on the date the goods or services are received.

#### Per-Transaction Transfers

The federal transfer may be made on a per-transaction basis—that is, shortly before or on the same day the in-kind donation is received.

#### Escrow Transfers

Alternatively, the federal account may make bulk transfers to cover the federal share of anticipated in-kind donations. Under this "escrow" arrangement, a committee makes a good faith estimate of the amount of in-kind donations that it expects to receive and transfers sufficient funds from the federal account to cover the federal share.

#### Adjustments

Should the federal account pay more than its share of an in-kind donation, adjustment transfers from the nonfederal account are permissible.

### "Disbursement" of In-Kind Donation (H4)

Like *in-kind* contributions, in-kind donations must be reported as both receipts and disbursements so as not to inflate the cash-on-hand balance. (The disbursement side reflects the use or "expenditure" of the resources.) Schedule H4 is used for the disbursement entry, which shows the \$5,000 in-kind donation as a 100 percent nonfederal disbursement. The donor's name and address is disclosed in the box generally used for payees.

### Transfer from Federal Account (H4)

The second entry on Schedule H4 shows the contemporaneous transfer of \$2,500 (the federal share of the donation) from the federal account to the nonfederal account. The explanation of the transfer is described in the "Purpose" box, with a reference to the previous entry.

## Alternative Reporting Method

To minimize entries and avoid duplication, a committee may use alternative methods to report transactions relating to in-kind donations.

The committee may use one entry on Schedule H3 to show the receipt of all in-kind donations made within the same reporting period for a particular fundraising program or event (or administrative activity).

The committee may also use one entry on Schedule H4 to show total federal payments (transfers) made on the same day for the federal share of in-kind donations.

### Example

A committee receives two in-kind donations from prohibited sources for a mixed federal/nonfederal fundraising event, "July Fundraiser":

- Invitations donated by XYZ Printers, Inc. (value: \$3,000) received on July 1; and
- Balloons donated by ABC Balloons, Inc. (value: \$1,000) received on July 15.

The fundraising ratio for "July Fundraiser" is 50 percent federal, 50 percent nonfederal. The federal account transfers its \$2,000 share of the two donations on July 1.

## DISBURSEMENT OF IN-KIND DONATION; FEDERAL TRANSFER (H4)

DISBURSEMENT SCHEDULE H4 - JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE		PAGE 1 OF 1	
NAME OF COMMITTEE State Party Committee		FOLIO 1214	
1. FULL NAME, MAILING ADDRESS & ZIP CODE Powers by Paper, Inc. 300 Main Highway City, State ZIP	2. PURPOSE/ACTIVITY Flowers for Chairman's Gala	3. DATE 10/1/96	4. TOTAL AMOUNT \$5,000.00 NON-FEDERAL
5. CATEGORY ADMINISTRATIVE/OTHER PAYEE \$21,000.00	6. FUNDING SOURCE FEDERAL SHARE \$2,500.00	7. NON-FEDERAL SHARE \$2,500.00	
8. FULL NAME, MAILING ADDRESS & ZIP CODE State Party Committee Nonfederal Account 445 Democracy Blvd. City, State ZIP	9. PURPOSE/ACTIVITY Transfer of federal share (see above)	10. DATE 10/1/96	11. TOTAL AMOUNT \$5,000.00 FEDERAL SHARE \$2,500.00 NON-FEDERAL SHARE 0

The first entry shows the "disbursement" of the \$5,000 in-kind donation by the nonfederal account. The second entry shows the federal account's transfer of its share of the donation (50 percent or \$2,500) to the nonfederal account.

### Schedule H3—Receipt of In-Kind Donations

The committee uses one entry on Schedule H3 to show the total in-kind donations for "July Fundraiser" received during the reporting period. The "date of receipt" shows the period during which the committee received the contributions. The "July Fundraiser" entry cross references the Schedule H4 entries showing the "disbursement" of the donations and the identity of the contributors.

## RECEIPT OF IN-KIND DONATIONS (H3)

NAME OF ACCOUNT Nonfederal Account		DATE OF RECEIPT 7/1-7/15/96		TOTAL AMOUNT \$4,000.00	
		SOURCES OF CONTRIBUTIONS			
		ADMINISTRATIVE/OTHER PAYEE	INDIRECT FUNDRAISING	EXEMPT CONTRIBUTIONS	
4. Total Administrative/Other Payee					
5. Direct Fundraising/Indirect Fundraising					
a. July Fundraiser					
b. See H4, p. 1, entries A and B					
c.					
d.					

The \$4,000 in-kind transfer represents a \$3,000 donation received on July 1 and a \$1,000 donation received on July 15. The entry notes the Schedule H4 entries where information on the donations is available.

**Schedule H4—"Disbursement" of Donations; Federal Transfer**  
Schedule H4 shows the "disbursement" of the two in-kind donations by the nonfederal account, each entry identifying the donor and the dates the donations were received.

The third entry shows the federal account's payment for its 50 percent share of the two donations and the date of the transfer to the nonfederal account. The entry refers to the previous two entries to show the transfer relates to those transactions.

### "Escrow" Transfer

Advance transfers from the federal account to the nonfederal account to pay the federal share of anticipated in-kind donations are reported on Schedule H3. If known, the particular activity (fundraising program/event or administrative) to which the transfer applies should be noted. If the corresponding in-kind donations are received in a later reporting period, it is understood that the Schedule H3 entry will not be able to list the related Schedule H4 donor entries (showing the nonfederal "disbursement" of the donations).

## DISBURSEMENT OF IN-KIND DONATIONS; FEDERAL TRANSFER (H4)

DISBURSEMENT SCHEDULE H4 (Effective 1/1/91)		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE		PAGE 2 OF 1	
FOR LINE 21a					
NAME OF COMMITTEE State Party Committee					
A FULL NAME, MAILING ADDRESS & ZIP CODE XYZ Printing Incorporated 2180 Pine Street City, State ZIP	PURPOSE/EVENT Invitations for July Fundraiser	DATE 7/1/98	TOTAL AMOUNT \$3,000.00 in-kind	FEDERAL SHARE 0	NON-FEDERAL SHARE \$3,000.00
CATEGORY: <input type="checkbox"/> ADMINISTRATIVE/OTHER <input checked="" type="checkbox"/> RAISING FUNDS <input type="checkbox"/> EXEMPT EVENT YEAR/DATE: 1998/07/01 <input type="checkbox"/> DIRECT CANDIDATE SUPPORT					
A FULL NAME, MAILING ADDRESS & ZIP CODE Ballroom Inc. 247 Oak Street City, State ZIP	PURPOSE/EVENT Ballrooms for July Fundraiser	DATE 7/15/98	TOTAL AMOUNT \$1,000.00 in-kind	FEDERAL SHARE 0	NON-FEDERAL SHARE \$1,000.00
CATEGORY: <input type="checkbox"/> ADMINISTRATIVE/OTHER <input checked="" type="checkbox"/> RAISING FUNDS <input type="checkbox"/> EXEMPT EVENT YEAR/DATE: 1998/07/15 <input type="checkbox"/> DIRECT CANDIDATE SUPPORT					
A FULL NAME, MAILING ADDRESS & ZIP CODE State Party Committee/ Nonfederal Account 445 Democracy Blvd. City, State ZIP	PURPOSE/EVENT Transfer of federal share (see A and B above)	DATE 7/1/98	TOTAL AMOUNT \$2,000.00	FEDERAL SHARE \$2,000.00	NON-FEDERAL SHARE 0
CATEGORY: <input type="checkbox"/> ADMINISTRATIVE/OTHER <input type="checkbox"/> RAISING FUNDS <input type="checkbox"/> EXEMPT EVENT YEAR/DATE: 1998/07/01 <input type="checkbox"/> DIRECT CANDIDATE SUPPORT					

The first two entries on this schedule provide information on the in-kind donations received and "disbursed" by the nonfederal account. The third entry shows that the federal account's 50 percent share of the donations was transferred to the nonfederal account on July 1. The entry cross references the related entries.



